



Office Q1 2020

**¥103.45**  
Rent (PSM/MO)

12-Mo.  
Forecast



**-1.5%**  
Rental Growth (QOQ)



**40.1%**  
Vacancy Rate



Source: Cushman & Wakefield Research

#### XIAMEN ECONOMIC INDICATORS Q1-Q4 2019

**7.9%**  
GDP Growth

Q1-  
Q3  
2019  
**8.1%**  
12-Mo.  
Forecast



**6.6%**  
Tertiary Sector  
Growth

**7.0%**



**3.0%**  
CPI Growth

**2.3%**



**1.7%**  
Real Estate Development  
& Investment Growth

**-1.7%**



Note: Growth figure is y-o-y growth;  
Source: Xiamen Statistics Bureau; Oxford Economics;  
Cushman & Wakefield Research

#### Rent Continued to Fall in Weakened Market

The COVID-19 outbreak sent Xiamen's Grade A Office market, which had been considered on track for a recovery, back to the starting point. Citywide absorption was down 70.8% q-o-q, amounting to 4,325 sq m for the quarter. Average monthly rent dropped 1.5% q-o-q to RMB103.45 per sq m. The N/S Hubin Road submarket recorded the steepest rental decline at 7.4%. The drop was due to the CR Buildings' adjusted rental strategy, hoping to attract more tenants at competitive rental levels.

Space opened up as coworking operator Kr Space moved out from Shimao Strait Towers, raising the vacancy rate of the Lujiang Rd submarket by 5 percentage points. On the other hand, CR Snow Breweries Trading Co. moved into the CR Building, edging down the vacancy rate in N/S Hubin Road by 6 percentage points. Consequently, and despite the prevailing downside market, the citywide vacancy rate recorded a slight drop of 0.3 percentage points, finishing at 40.1% at the end of the quarter.

#### Low Rental Growth and Slow Absorption Ahead

The COVID-19 outbreak has caused an obvious slowdown in space expansion plans. To lower their costs, growing number of tenants in prime quality offices have either relocated to properties with lower rental levels or to non-Grade A premises, including co-working spaces. Ahead, average rental is expected to continue to drop further. In addition to lowering rents, landlords have also adopted flexible leasing conditions to retain existing or to attract new tenants, hoping to offer a supporting hand to come through the current tough conditions.

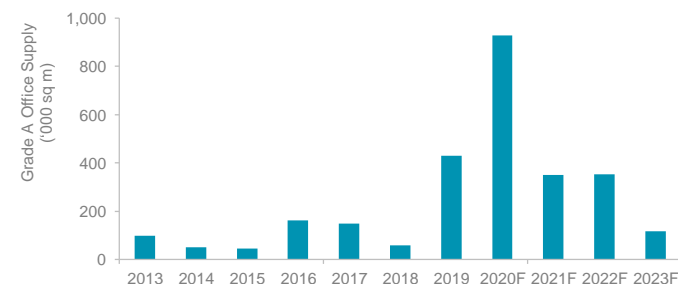
Approximately 928,000 sq m of new Grade A office supply is in the pipeline through 2020. We can expect the influx of supply to exert further downward pressure on average rental levels in the short-term.

#### GRADE A RENT & VACANCY RATE



Source: Cushman & Wakefield Research

#### GRADE A SUPPLY PIPELINE



Source: Cushman & Wakefield Research



SUBMARKET	INVENTORY (sq m)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (sq m)	GRADE A FACE RENT		
				RMB/SQ M/MO	US\$/SF/MO	EUR/SF/MO
Lujiang Rd.	251,000	21.8%	188,000	110.9	1.5	1.3
N/S Hubin Rd.	169,000	46.2%	185,700	118.1	1.6	1.4
Cross Strait Financial Center (CSFC)	640,000	36.7%	776,700	104.3	1.4	1.3
Cross Strait Trade Center (CSTC)	58,000	4.0%	260,000	84.0	1.1	1.0
Outside Xiamen's Main Island (OMI)	148,000	92.9%	396,800	78.2	1.1	0.9
<b>XIAMEN GRADE A TOTAL</b>	<b>1,266,000</b>	<b>40.1%</b>	<b>1,807,200</b>	<b>103.5</b>	<b>1.4</b>	<b>1.2</b>

Face Rent is calculated based on gross floor area and assuming a letting of mid floors for a typical three year lease term with VAT.  
Exchange Rate: 1USD= 0.897151 EUR=6.949270 RMB (2020.3.3)

## KEY LEASING TRANSACTIONS 1Q20

PROPERTY	SUBMARKET	TENANT	SQ M	LEASE TYPE
CR Building - Tower A	N/S Hubin Rd.	CR Snow Breweries Trading Co.	2,200	Relocation
Xiamen Center – Tower F	OMI	Zhen Shi Ta Supply Chain Management Co.	250	New Business Expansion

## SIGNIFICANT PROJECTS PLANNED &amp; UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	COMPLETION DATE
Sea World - CMLS	CSTC	-	190,000	2020
Haixi Jingu Plaza (T1 & T2)	CSFC	-	103,000	2020
Xiamen Air Headquarter	CSFC	-	66,000	2020
Winland Complex	CSFC	-	220,000	2021

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